

## Message Text

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21

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 OMB-01 SS-20 NSC-07 H-03

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 8991

USDOC WASHDC

UNCLAS WARSAW 2655

E.O. 11652: N/A

TAGS: EFIN US PL

SUBJECT: U.S.-POLISH TAX CONVENTION

REF: STATE 094698

PASS TREASURY FOR DEPUTY TO ASST SECRETARY (INTERNATIONAL  
TAX POLICY) NATHAN GORDON

COMMERCE FOR BEWT/LOTARSKI

1. EMBOFF DISCUSSED REFTTEL WITH CHYLINSKI AND BONIUK OF  
MINISTRY OF FINANCE ON MAY 10. CHYLINSKI POINTED OUT THAT  
TURNOVER TAX COULD BE APPLIED IN POLAND UNDER LAW OF  
NOVEMBER 2 (GORDON HAS COPY) IN ONLY TWO CIRCUMSTANCES NOT  
COVERED ELSEWHERE BY DRAFT CONVENTION, THAT IS, IN  
CIRCUMSTANCES DEFINED BY ARTICLE 3 PARA 2 AND ARTICLE 8  
PARA 1 SUBPARA 3 OF THE LAW. IN THOSE TWO CASES, COVERING  
CERTAIN COMMISSION INCOME AND INCOME FROM CERTAIN SPORTING  
AND ENTERTAINMENT EVENTS, BOTH TURNOVER TAX AND INCOME TAX  
ARE APPLIED JOINTLY, CHYLINSKI EXPLAINED. CHYLINSKI AND  
BONIUK THEN DRAFTED MEMORANDUM RESPONDING TO U.S. POSITION.

MEMORANDUM READS AS FOLLOWS IN EMBASSY'S INFORMAL  
TRANSLATION:

QUOTE IF THE LANGUAGE PROPOSED BY THE POLISH SIDE:

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'TURNOVER TAX, IF IT IS CHARGED AGAINST INCOME', IS

DIFFICULT FOR THE AMERICAN SIDE TO ACCEPT BECAUSE OF THE POSSIBILITY OF TOO BROAD AN INTERPRETATION OF THIS DEFINITION, AND THE AMERICAN SIDE IS INTERESTED IN APPLYING THE PROVISIONS OF THE CONVENTION TO SUCH CASES AS ARE DEFINED IN ARTICLE 3 PARAGRAPH 2, AND ARTICLE 8 PARAGRAPH 1 SUBPARAGRAPH 3 OF THE ORDER OF THE MINISTER OF FINANCE OF NOVEMBER 2, 1973, THEN THE POLISH SIDE PROPOSES THE FOLLOWING SOLUTION:

--NOT TO PLACE THE PROVISIONS REGARDING TURNOVER TAX IN THE CONVENTION-TO ELIMINATE ARTICLE 2 PARAGRAPH 2 LETTER A POINT 4;

--INSTEAD TO CARRY OUT AN EXCHANGE OF NOTES, IN WHICH IT WOULD BE STATED THAT 'THE PROVISIONS OF THE CONVENTION APPLY TO TURNOVER TAX LEVIED IN POLAND IF THAT TAX, IN THE LIGHT OF THE TAX REGULATIONS OF THE UNITED STATES, CAN BE REGARDED AS AN INCOME TAX.'

QUOTE ONCE AGAIN WE CONFIRM THAT TURNOVER TAX IS NOT APPLIED IN POLAND, IN THE LIGHT OF POLISH REGULATIONS, IN THE PLACE OF INCOME TAX.

QUOTE IF THE PROPOSAL GIVEN ABOVE IS SIMILARLY UNACCEPTABLE TO THE AMERICAN SIDE, THEN WE PROPOSE TO REMOVE THE TURNOVER TAX FROM THE RANGE OF TAXES COVERED BY THE CONVENTION, SINCE IT CAN AFFECT ONLY A MARGINAL GROUP OF PROBLEMS.

QUOTE THE POLISH SIDE PROPOSES THAT IF THE MATTER OF THE TURNOVER TAX IS COVERED IN AN EXCHANGE OF NOTES, THE ISSUE BE INCLUDED IN ONE NOTE TOGETHER WITH THE ISSUE OF STATE TAXES. (SIGNED) J. CHYLINSKI, VICE DIRECTOR OF DEPARTMENT. END QUOTE

2. PLEASE ADVISE WHETHER POLISH PROPOSAL IS ACCEPTABLE AND WHEN NOTE ON STATE TAXES MAY BE FORTHCOMING.  
DAVIES

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## Message Attributes

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